

## Editorial

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The first article of this issue, authored by Olaf Stotz, Gabrielle Wanzenried, and Karsten Döhnert, contributes to the discussion on the risk-return characteristics of fundamental indexing. Based on the constituent stocks of the DJ Stoxx 600 index, the authors investigate the performance of a fundamentals-weighted index. To measure performance, they adjust for risk by using measures such as Sharpe ratios and Carhart Alphas and augment their results by an inter-temporal risk analysis.

In the second article of this issue, Don U.A. Galagedera investigates the relationship between equity market performance and variables such as market size, business environment, legal rights of borrowers and lenders, disclosure requirements, and others. Methodologically, he employs data envelopment analysis (DEA) and adjusts for risk by standard deviation, CAPM-beta, and co-skewness of returns. His analysis covers 23 developed and 25 emerging equity markets between 2003 and 2008.

In the third article, Kurt Hornik, Rainer Jankowitsch, Manuel Lingo, Stefan Pichler, and Gerhard Winkler analyze the heterogeneity of European credit ratings from different providers and, in particular, the determinants of the heterogeneity observed. Using the Austrian Credit Register operated by the Austrian National Bank, they analyze a sample of over 7,000 ratings for more than 3,000 debtors.

The fourth article is written by Marius Hofert, Matthias Scherer, and Rudi Zagst. They model the evolution of implied CDO correlations. Using regression models, they explain CDO tranche spreads as well as implied correlations by information derived from credit and asset markets.

This issue's Perspectives article is written by Bernd Scherer. He investigates the revenue of asset managers and argues that fee income is not only subject to oper-

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ational risk, but by a substantial part also to market risk. He advocates the active management of asset management revenue by a hedging strategy based on the beta exposure fee income.

The book review in this issue discusses the book “Alternative Investments and Strategies” edited by Rüdiger Kiesel, Matthias Scherer, and Rudi Zagst. The reviewer is Roman Frey.

Finally, I would like to point your attention to the *Call for Papers* for the 2011 Conference of the Swiss Society for Financial Market Research. We hope for many submissions of interesting research papers!